

## Message Text

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DRAFTED BY: IO/UN/BAPS:WMSOUTHWORTH:OM

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TO USMISSION USUN NEW YORK PRIORITY

UNCLAS STATE 115936

FOR KUTNER

FOLLOWING REPEAT OECD PARIS 13420 ACTION SECSTATE 2 JUN.

QUOTE

UNCLAS OECD PARIS 13420

E.O. 11652: N/A

TAGS: AORG, OECD

SUBJECT: 131ST MEETING COORDINATING COMMITTEE OF  
GOVERNMENT BUDGET EXPERTS

REF: STATE 104049

1. BEGIN SUMMARY. AT 131ST MEETING, ALL COUNTRIES,  
EXCEPT US AND ITALY, ABLE ACCEPT PRINCIPLE COMPENSATORY  
ADJUSTMENT OF PENSIONS TO CORRECT INEQUITY CREATED BY  
CALCULATING TAXABLE PENSION USING TAX EXEMPT SALARY AS  
BASE. END SUMMARY. ACTION REQUESTED: REQUEST  
INSTRUCTIONS PARA 5.

2. SECRETARIES-GENERAL PREFER REIMBURSEMENT OF TAXES  
ACTUALLY PAID BUT COULD ACCEPT APPROPRIATE ADJUSTMENT  
OF PENSIONS. STRONG CASE WAS MADE FOR ADJUSTMENT OF  
PENSIONS. B AND C GRADES SALARIES ARE ESTABLISHED BY  
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REFERENCE TO PREVAILING LOCAL RATES AND ADJUSTED DOWN-

WARD SO THAT TAX EXEMPT NET SALARY IS EQUAL TO TAXABLE NET OF LOCAL RATES. ADJUSTMENTS RANGE FROM ZERO FOR LOWEST C GRADE TO ABOUT 11 PERCENT FOR HIGHEST B GRADE. ALTHOUGH SALARY LEVELS FOR A GRADES RELATIVELY CLOSE BETWEEN EEC AND CO-ORDINATED ORGANIZATIONS, EFFECT OF INTERNAL TAX IS THAT TAX FREE COMMUNITY PENSIONS BETWEEN FROM 9 TO 40 PERCENT HIGHER THAN PROPOSED CO-ORDINATED ORGANIZATIONS NET TAXABLE PENSIONS.

3. US AND ITALY PLACED GENERAL RESERVE ON CONCEPT OF COMPENSATORY ADJUSTMENT OF PENSIONS WHILE ITALIAN REP ONLY ONE ABLE ACCEPT TAX EXEMPTION FOR PENSIONS. ALL OTHER DELEGATIONS PREPARED ACCEPT COMPENSATORY ADJUSTMENT BUT NOT TO FULL AMOUNT OF TAXES PAID ON PENSION PAYMENTS. OF THESE DELEGATIONS, ONLY NETHERLANDS AND LUXEMBOURG SUGGESTED FUNDING THIS INCREASE BY REGULAR BUDGET CONTRIBUTIONS WHILE REMAINDER WILLING ACCEPT FUNDING BY SPECIAL CONTRIBUTION EQUAL TO AMOUNT OF COMPENSATORY PAYMENTS MADE TO PENSIONERS RESIDENT IN THEIR COUNTRY.

4. SINCE PENSIONS BE SUBJECT TO NATIONAL TAXES, MISSION BELIEVES THERE GROUNDS FOR EITHER ADJUSTING LEVEL OF PENSIONS OR THE BASE USED IN CALCULATING PENSIONS. ESTABLISHMENT OF DIFFERENT BASE FOR CALCULATION OF PENSIONS MEANS THAT ADDITIONAL COSTS BE FUNDED BY REGULAR BUDGET CONTRIBUTION AND US SHARE BE 25 PERCENT. IF PENSIONS ADJUSTED AS PROPOSED BY CCG AND SPECIAL CONTRIBUTION BASED ON NUMBER OF PENSIONERS RESIDENT IN MEMBER COUNTRY, THE US SHARE WOULD BE CONSIDERABLY SMALLER.

5. MISSION RECOMMENDS ACCEPTANCE OF PENSION ADJUSTMENT PROPOSED BY CCG IN ORDER PROVIDE EMPLOYEES OF CO-ORDINATED ORGANIZATIONS EQUITABLE PENSION THAT APPROACHES LEVEL OF PENSIONS PROVIDED IN EEC AND THAT WOULD REMOVE MAJOR REMAINING OBSTACLE TO SETTling PENSION CONTROVERSY. REQUEST DETAILED INSTRUCTIONS BY JUNE 5.  
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